

**NEW ORLEANS BIOINNOVATION CENTER, INC.**

**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**June 30, 2008**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/28/09

**CASCIO & SCHMIDT, LLC**  
**Certified Public Accountants**

NEW ORLEANS BIOINNOVATION CENTER, INC.

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# CASCIO & SCHMIDT, LLC

## CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA  
STEVEN A. SCHMIDT, CPA

MEMBERS  
AMERICAN INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA CERTIFIED  
PUBLIC ACCOUNTANTS

### REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
New Orleans BioInnovation Center, Inc.

We have audited the accompanying statement of financial position of New Orleans BioInnovation Center, Inc. (a non-profit corporation) as of June 30, 2008, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2007 financial statements and, in our report dated November 19, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans BioInnovation Center, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2008, on our consideration of New Orleans BioInnovation Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of New Orleans BioInnovation Center, Inc. taken as a whole. The accompanying supplemental combined statement of revenue and expenses, and operating expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Cascio & Schmidt, LLC*

Metairie, Louisiana  
November 3, 2008

**NEW ORLEANS BIOINNOVATION CENTER, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2008**

	<b>ASSETS</b>	
	<u>June 30, 2008</u>	<u>MEMORANDUM ONLY June 30, 2007</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 65,462	\$ 45,508
Receivables (Notes A4 and C)	<u>435,015</u>	<u>332,131</u>
Total current assets	500,477	377,639
<b>PROPERTY AND EQUIPMENT - At cost</b>		
Office equipment (Note A5)	11,409	16,243
Leasehold improvements (Note A5)	57,733	-
Construction in progress (Note D)		
Wet Lab Incubator	<u>2,262,755</u>	<u>1,376,837</u>
	<u>2,331,897</u>	<u>1,393,080</u>
<b>OTHER ASSETS</b>		
Deposits	<u>1,973</u>	<u>1,880</u>
Total assets	\$ <u>2,834,347</u>	\$ <u>1,772,599</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 450,009	\$ 347,122
Deferred revenue (Note E)	<u>19,274</u>	<u>19,274</u>
Total current liabilities	469,283	366,396
<b>COMMITMENTS (Note F)</b>	-	-
<b>NET ASSETS (Notes A2 and A3)</b>		
Temporarily restricted	<u>2,365,064</u>	<u>1,406,203</u>
Total net assets	<u>2,365,064</u>	<u>1,406,203</u>
Total liabilities and net assets	\$ <u>2,834,347</u>	\$ <u>1,772,599</u>

The accompanying notes are an integral part of this statement.

NEW ORLEANS BIOINNOVATION CENTER, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	2008	TOTAL MEMORANDUM ONLY 2007
REVENUE				
Grants	\$ -	\$ 827,704	\$ 827,704	\$ 536,834
Contract revenue	-	635,641	635,641	455,011
Other	-	64,882	64,882	5,000
Net assets released from restrictions	<u>569,366</u>	<u>( 569,366)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>569,366</u>	<u>958,861</u>	<u>1,528,227</u>	<u>996,845</u>
EXPENSES				
Salaries and benefits	255,340	-	255,340	212,697
Consulting	78,217	-	78,217	47,821
Supplies	7,109	-	7,109	2,943
Common equipment	41,688	-	41,688	23,347
Other costs	162,933	-	162,933	141,430
Depreciation & amortization	<u>24,079</u>	<u>-</u>	<u>24,079</u>	<u>3,094</u>
Total Expenses	<u>569,366</u>	<u>-</u>	<u>569,366</u>	<u>431,332</u>
INCREASE IN NET ASSETS	-	958,861	958,861	565,513
Net assets, beginning of year	<u>-</u>	<u>1,406,203</u>	<u>1,406,203</u>	<u>840,690</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 2,365,064</u>	<u>\$ 2,365,064</u>	<u>\$ 1,406,203</u>

The accompanying notes are an integral part of this statement.

**NEW ORLEANS BIOINNOVATION CENTER, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2008**

	<u>June 30, 2008</u>	<u>MEMORANDUM ONLY</u> <u>June 30, 2007</u>
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Increase in net assets	\$ 958,861	\$ 565,513
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation & amortization	24,079	3,094
Changes in assets and liabilities:		
(Increase) decrease in grants and contracts receivable	( 102,884)	(163,801)
Increase (decrease) in accounts payable	102,887	25,919
(Increase) in deposits	( 93)	-
Net cash provided by operating activities	<u>982,850</u>	<u>430,725</u>
Cash flows from investing activities:		
Construction costs capitalized	( 885,918)	(559,048)
Acquisition of office equipment	-	( 7,593)
Acquisition of leasehold improvements	( 76,978)	-
Net cash used in investing activities	<u>( 962,896)</u>	<u>(566,641)</u>
Net increase (decrease) in cash and cash equivalents	19,954	(135,916)
Cash and cash equivalents, beginning of year	<u>45,508</u>	<u>181,424</u>
Cash and cash equivalents, end of year	\$ <u>65,462</u>	\$ <u>45,508</u>

The accompanying notes are an integral part of this statement.

# **NEW ORLEANS BIOINNOVATION CENTER, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

### **NOTE A - SUMMARY OF ACCOUNTING POLICIES**

A summary of the Corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

#### **1. Nature of Activities**

The primary purpose of New Orleans BioInnovation Center, Inc. (the "Corporation") is to construct, develop and manage the property located at 1441 Canal Street, New Orleans, Louisiana, into a biotechnology business incubator facility in furtherance of the development and support of a biomedical research and development industry within the City of New Orleans. It is estimated that the cost to renovate and construct the facility should be between \$35,000,000 and \$40,000,000. The Corporation may also develop and manage other properties within the biomedical district. The Corporation's activities are intended to foster economic development through the creation of new jobs, diversification of the local economy and revitalization of an economically depressed area of the City of New Orleans.

The Corporation is a private, non-profit entity that shall not be deemed to be a public or quasipublic corporation or an administrative unit, public servant, employee or agent of any institution of higher education for any purpose whatsoever, because the Corporation is organized and shall be operated for the principal purpose of supporting one or more programs, facilities or research or educational opportunities offered by Louisiana State University Health Sciences Center in New Orleans, and for the purpose of supporting one or more programs, facilities or research and educational opportunities of Tulane University Health Sciences Center.

The New Orleans BioInnovation Center, Inc. is organized and constituted as a nonprofit corporation exempt from income taxation under and in accordance with the provisions of Section 501(c)(3) of the Internal Revenue Code and the Nonprofit Corporation Law of the State of Louisiana, La.Rev.Stat. 12:201-269.

#### **2. Financial Statement Presentation**

The Corporation's financial statements are presented in accordance with the requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations." Accordingly, the net assets of the Corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no permanently restricted net assets during the year ended June 30, 2008.

#### **3. Revenue Recognition**

For financial reporting, the Corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions."

Grant and contract revenue are recognized as they are earned in accordance with approved contracts.

**NEW ORLEANS BIOINNOVATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2008

**NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued**

**4. Receivables**

The Corporation considers accounts receivable to be fully collectible since the balance consists of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

**5. Property and Equipment**

New Orleans BioInnovation Center, Inc. capitalizes, at cost, all furniture and equipment in excess of \$5,000. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method. Office equipment amounts to \$22,273, less \$10,864 of accumulated depreciation. Depreciation expense for the year ended June 30, 2008 amounted to \$4,834. Leasehold improvements of \$76,978, are amortized over the life of the lease, three years, and amounted to \$19,245 for the year ended June 30, 2008.

**6. Total Columns**

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**NOTE B - CASH AND CASH EQUIVALENTS**

The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE C - RECEIVABLES**

Receivables at June 30, 2008, consist of the following:

Louisiana Gene Therapy Research Consortium, Inc.	\$ 113,569
Louisiana Department of Economic Development	
Operating CEA	30,817
Construction	175,017
Economic Development Administration	101,844
Other	<u>13,768</u>
	<u>\$ 435,015</u>



**NEW ORLEANS BIOINNOVATION CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS - Continued**

**June 30, 2008**

**NOTE D - CONSTRUCTION IN PROGRESS**

Construction in progress consists of the following at June 30, 2008:

**The Wet Lab Incubator**, funded by Louisiana Department of Economic Development.

	<u>2008</u>	<u>Prior Years</u>	<u>Total</u>
Expenditure categories:			
Construction	\$ -	\$ 119,354	\$ 119,354
Consulting	12,600	41,512	54,112
Demolition	10,750	14,005	24,755
Design costs	400,414	602,217	1,002,631
Legal costs	-	126,233	126,233
Project management costs	136,491	369,124	505,615
Project expenses - other	<u>30,075</u>	<u>355</u>	<u>30,430</u>
	590,330	1,272,800	1,863,130
<b>Economic Development Administration</b>			
Design costs	<u>295,588</u>	<u>104,037</u>	<u>399,625</u>
<b>Totals</b>	<b><u>\$ 885,918</u></b>	<b><u>\$ 1,376,837</u></b>	<b><u>\$ 2,262,755</u></b>

**The GMP Facility and Infrastructure** are based on contract agreements, and were managed "on behalf" of Louisiana Gene Therapy Research Consortium, Inc. Accordingly, the costs are recorded on the financial statements of Louisiana Gene Therapy Research Consortium, Inc. and not on the basic financial statements of New Orleans BioInnovation Center, Inc.

	<u>2008</u>	<u>Prior Years</u>	<u>Totals</u>
<b>GMP Facility</b>			
Construction	\$ -	\$ 2,632	\$ 2,632
Design costs	306,894	664,742	971,636
Legal	-	57,931	57,931
Project management	<u>61,186</u>	<u>272,037</u>	<u>333,223</u>
	<u>368,080</u>	<u>997,342</u>	<u>1,365,422</u>
<b>Infrastructure</b>			
Consulting	-	16,689	16,689
Demolition costs	-	984,837	984,837
Design costs	-	<u>794,811</u>	<u>794,811</u>
	-	<u>1,796,337</u>	<u>1,796,337</u>
<b>Totals</b>	<b><u>\$ 368,080</u></b>	<b><u>\$ 2,793,679</u></b>	<b><u>\$ 3,161,759</u></b>

**NEW ORLEANS BIOINNOVATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**June 30, 2008**

**NOTE E - DEFERRED REVENUE**

The deferred revenue results from funds received and not yet expended for insurance in the amount of \$19,274.

**NOTE F - LEASE AGREEMENT**

**Building Project**

Louisiana State University (LSU) owns the land located at 1441 Canal Street, New Orleans. New Orleans BioInnovation Center, Inc.(NOBIC) entered into a lease agreement with LSU December 13, 2002 for a primary term of 20 years and options to renew the lease for two 10 year periods. Rental payments stated in the First Lease Amendment dated April 11, 2008, provides for \$800 a month commencing upon completion of construction and acceptance for occupancy by NOBIC. The rental rates for renewal option periods provided for by the Renovation Lease shall be calculated by first determining the value of the land as follows: capitalizing the net operating income for the project for the year preceding the exercise of the option at ten percent, and attributing twenty percent of the value so derived to the land; and, second, applying, ten percent of the land value so determined as the annual rent for the renewal period.

**Office**

The administrative office is leased under an operating lease beginning September 15, 2007, for three years. The monthly rent is \$2,900. The future minimum lease payments are as follows:

Year ended June 30, 2009	\$ 34,800
Year ended June 30, 2010	34,800
Year ended June 30, 2011	<u>7,250</u>
	<u>\$ 76,850</u>

Rental expense for the year amounted to \$46,395.

**NOTE G - BOARD OF DIRECTORS' COMPENSATION**

The Board of Directors is a voluntary board. Accordingly, no compensation was paid to any board member during the year ended June 30, 2008.

## **SUPPLEMENTAL INFORMATION**

NEW ORLEANS BIOINNOVATION CENTER, INC.

COMBINED STATEMENT OF REVENUE AND EXPENSES

Year ended June 30, 2008

	General & Administrative	Economic Development Administration	Louisiana Department of Economic Development	Property and Equipment	Total	GMP Facility
<b>REVENUE</b>						
Louisiana Department of Economic Development	\$ 532,116	\$ -	\$ 635,641	\$ -	\$ 1,167,757	\$ -
Louisiana Gene Therapy Research Consortium, Inc.	-	-	-	-	295,588	368,080
Economic Development Administration	-	64,882	-	-	64,882	-
Other	<u>532,116</u>	<u>64,882</u>	<u>635,641</u>	<u>-</u>	<u>1,528,227</u>	<u>368,080</u>
Total Revenue						
<b>EXPENSES</b>						
Salaries and benefits	255,340	-	-	-	255,340	-
Consulting	78,217	-	-	-	78,217	-
Supplies	7,109	-	-	-	7,109	-
Common equipment	41,688	-	-	-	41,688	-
Other costs	122,373	40,560	-	-	162,933	-
Construction costs	-	-	-	-	-	368,080
Depreciation and amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,079</u>	<u>24,079</u>	<u>-</u>
Total expenses	<u>504,727</u>	<u>40,560</u>	<u>-</u>	<u>24,079</u>	<u>569,366</u>	<u>368,080</u>
Increase (decrease) in net assets	27,389	24,322	635,641	( 24,079)	958,861	-
Property and equipment capitalized	-	-	( 590,330)	885,918	-	-
Leasehold improvements capitalized	( 31,667)	-	( 45,311)	76,978	-	-
Net assets, beginning of year	<u>13,123</u>	<u>-</u>	<u>-</u>	<u>1,393,080</u>	<u>1,406,203</u>	<u>-</u>
Net assets, end of year	<u>\$ 8,845</u>	<u>\$ 24,322</u>	<u>\$ -</u>	<u>\$ 2,331,897</u>	<u>\$ 2,365,064</u>	<u>\$ -</u>

**NEW ORLEANS BIOINNOVATION CENTER, INC.**

**STATEMENT OF OPERATING EXPENDITURES**

**Year Ended June 30, 2008**

	<u><b>June 30, 2008</b></u>	<b>MEMORANDUM ONLY</b> <u><b>June 30, 2007</b></u>
<b>Salaries &amp; Benefits</b>		
Salaries	\$ 202,820	\$ 165,583
Payroll taxes	12,880	10,628
Health insurance	32,668	29,908
Retirement plan	5,634	4,968
Processing fees	<u>1,338</u>	<u>1,610</u>
	<u><b>255,340</b></u>	<u><b>212,697</b></u>
<b>Consulting</b>		
Accounting	19,420	16,720
Legal	26,235	22,301
Consulting	<u>32,562</u>	<u>8,800</u>
	<u><b>78,217</b></u>	<u><b>47,821</b></u>
<b>Other Costs</b>		
Rent	46,395	25,767
Communications	7,853	8,742
Insurance	14,841	11,497
Marketing	13,909	49,751
Memberships	3,453	3,257
Parking	2,153	2,342
Postage & delivery	863	612
Travel & conferences	9,009	25,266
Miscellaneous expenses	<u>23,897</u>	<u>14,196</u>
	<u><b>122,373</b></u>	<u><b>141,430</b></u>
<b>Supplies</b>		
Office supplies	7,109	2,943
<b>Equipment</b>		
Common equipment	<u>41,688</u>	<u>23,347</u>
<b>Total Operating Grant expenses</b>	<b>504,727</b>	<b>428,238</b>
<b>Other</b>		
Marketing	40,560	-
<b>Depreciation &amp; amortization</b>	<u>24,079</u>	<u>3,094</u>
<b>Total Expenses</b>	<b>\$ <u>569,366</u></b>	<b>\$ <u>431,332</u></b>

# CASCIO & SCHMIDT, LLC

## CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA  
STEVEN A. SCHMIDT, CPA

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### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
New Orleans BioInnovation Center, Inc.

We have audited the financial statements of New Orleans BioInnovation Center, Inc. (a non-profit corporation) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Orleans BioInnovation Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Orleans BioInnovation Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Orleans BioInnovation Center, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, or material deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Orleans BioInnovation Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the audit committee, management, Louisiana Legislative Auditor and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Carcio & Schmidt, LLC*

Metairie, Louisiana  
November 3, 2008

**NEW ORLEANS BIOINNOVATION CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2008**

**STATUS OF PRIOR YEAR AUDIT FINDINGS**

The status of the prior year audit finding is as follows:

	<u>Resolved</u>	<u>Unresolved</u>	<u>Finding No.</u>
Segregated of Duties	X		2007-1

**QUESTIONED COSTS**

There were no questioned costs.

**MANAGEMENT LETTER**

A separate management letter was not issued for the years ended June 30, 2008 or June 30, 2007.